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E.O. 12958: DECL: 01/24/2018
TAGS: ETTC MTCRE KSCA KNNP PARM PREL CH GM
SUBJECT: RESPONSE TO GERMAN INQUIRY ON U.S. LICENSING PRACTICES CONCERNING TECHNOLOGY TRANSFERS TO CHINA

REF: A. STATE 5669
¶B. BERLIN 15

Classified By: Economic Minister-Counselor Robert A. Pollard for reasons 1.4 (b) and (d)

¶1. (S) Global Affairs Counselor presented Ref A talking points January 18 to MFA Export Control Division Desk Officer Nancy Reck. Reck thanked us for the information on U.S. licensing practices, noting that the information we provided would be useful for the German Government in making a final determination on the application in question. Reck expressed understanding for our inability to provide a complete answer absent additional information regarding the isostatic graphite production technology, the particular end-use, and the identity of the Chinese end-user. She noted that the MFA had pushed for release of additional information in initial discussions of the case in the German interagency export comtrol working group, and indicated that our request for additional information would be useful in the MFA's future discussion of the case with representatives of the Federal Office of Economics and Export Controls (BAFA), who -- according to Reck -- had expressed reservations about the extent of information to be provided.

¶2. (S) Reck provided additional details about the proposed transaction. She noted that the production of isostatic graphite consists of four main phases, of which Phase 1 (the production of graphite "green body") is the most critical. Reck assured us that the German company did not/not plan to transfer to its Chinese subsidiary the technology for the production of the graphite "green body." The German company, said Reck, considered the precise composition of its green body to be a trade secret. Reck described phases 2-4 as comprising processing procedures to burn and compress the raw graphite blocks. She indicated that, in the transaction in question, the German company had already transferred (with appropriate export licenses) Phases 3 and 4 to its Chinese subsidiary and has now applied to transfer the more critical Phase 2. According to Reck, the end product will also be distributed in China by the German company's subsidiary. Reck indicated that the German Government is considering requiring the German firm to supply a list of all proposed end-users as a condition to a grant of an export license.

¶3. (S) Reck also provided an English-language non-paper with the following additional technical data concerning the technology in question:

Begin text of German Government non-paper

The technology to be exported is intended for the production of MTCR- and NSG-listed isostatic graphite with the following specifications:

-- NSG-listed nuclear grade graphite with a boron equivalent (BE) of less that 5 ppm and with a density of greater than

1.5 g/cm3 for use in a nuclear reactor

-- MTCR-listed fine grade graphite with a bulk density of at least 1.72 g/cc measured at 15 degrees C and having a grain size of 100 x 10(-6) or less, usable for rocket nozzles and re-entry vehicle nose tips, which can be machined to any of the following products:

a. Cylinders having a diameter of 120 mm or greater and a length of 50 mm or greater;

b. Tubes having an inner diameter of 65 mm or greater and a wall thickness of 25 mm or greater and a length of 50 mm or greater;

c. Blocks having a size of 120 mm x 120 mm x 50 mm or greater.

End text of non-paper
TIMKEN JR